



Committee On Finance

Max Baucus, Ranking Member

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Statement of U.S. Senator Max Baucus Regarding Passage of Middle Class Tax Cut Extensions

(WASHINGTON, D.C.) On Thursday evening, the House and the Senate passed the conference report, H.R. 1308, which will extend numerous individual tax cuts to millions of middle-income Americans set to expire in 2005. U.S. Senator Max Baucus, ranking member of the Senate Finance Committee, praised the tax cuts, but raised concerns about the nation's rising deficit.

"Extending these tax cuts will ease the financial burden many families face when trying to make ends meet," Baucus said. "I support these tax cuts for millions of hard-working American families, but our nation's deficit continues to rise at an alarming rate. Congress must renew its resolve to address the budget failure that threatens our nation."

Senator Baucus' floor speech follows:

"Mr. President, I am pleased to be a part of this effort to provide significant tax relief to America's working families. I want to thank my good friend and Colleague, Chairman Chuck Grassley. He worked hard to conduct an open and transparent conference. At times, it was difficult. But because of his fairness and courtesy, Senator Lincoln and I were able to present ideas and amendments in an effort to better the legislation.

This bill will provide meaningful tax relief. It will benefit millions of middle-income Americans. This bill is largely made up of extensions of provisions for which I and many of our Colleagues worked hard when Congress enacted them in the first place. And the package we consider today is far better targeted than the package that Congress enacted last year. The package that we consider today includes provisions that are important to everyday people in Montana.

But that is not to say that this legislation is perfect. Unfortunately, it has some significant shortcomings. The legislation that the Senate passed to begin this conference provided refundable child tax credits for low-income working families. This was a 3-or-4 billion dollar problem. And last June, the Senate responded responsibly. This week, 15 months later, the conference committee has produced a \$150 billion solution for that \$3 billion problem. And the conference committee chose not to pay for that \$150 billion.

I am concerned that Congress appears incapable of enacting even reasonable tax cuts without worsening the deficit. Higher deficits will hurt the very families whom we set out to

help. They are the ones acutely harmed by the higher interest rates that huge deficits cause. And it will be the children of middle-income American families who will pay for that deficit with higher taxes throughout their lifetimes.

And using this conference committee on a narrow, \$3 billion problem to move a broad, \$150 billion tax bill is an abuse of the Senate rules. Rule 28 on the scope of conference may still appear in the printed rule books. But this conference report makes clear that rule 28 is dead. The majority plainly observes it only in the breach.

Let me take a moment to recount the history of this bill. The reason for this bill all started last year when the 2003 tax bill left out additional child tax credit payments for most low-income families with children. Last year's increase in the child tax credit left out fully one-quarter of Montana's children. In the weeks that followed passage of that bill, Senators Lincoln and Snowe led efforts to provide relief for these hard-working families. Today, more than a year too late, we finally follow through on their efforts to provide additional child tax relief to those families who were left out.

Families who could only get a 10-percent refund can now get a 15-percent refund. We have accelerated the increased child credit in this bill.

The conference agreement makes another significant change benefiting families of military personnel serving in harm's way. Under current law, pay earned by our military in a combat zone does not count for purposes of calculating the earned income tax credit or the child tax credit.

Last year, I joined my friend Senator Pryor in requesting a study to detail how this oversight affects our men and women in the military who are serving in some of the most dangerous locations in the world. The GAO found that as many as 10,000 military personnel in combat zones will see a reduction or elimination of their child credit or earned income tax credit because of their service abroad. I joined him in introducing legislation, which is part of the agreement today, to correct this inequity. Unfortunately, the proposal today will allow military families with combat pay to receive the earned income tax credit for only 2 years. And then it goes away!

During conference negotiations, Senator Lincoln, with my support, offered an amendment to make this provision permanent. But the conference committee rejected it, on a party-line vote. I don't know why the conference committee chose to penalize those military personnel who are serving our country in Afghanistan, Iraq, and elsewhere around the world. It is the least, the very least, that we can do for them.

I think we all agree, though, on our support for extending tax relief for middle-income taxpayers. The conference report extends through the end of the decade three popular tax cuts on which many American families have come to rely. These provisions are the \$1000 child tax credit, marriage penalty relief, and the 10-percent income tax bracket.

The conference report also extends for another year protection from the Alternative Minimum Tax, or AMT. Without this, millions of middle-income families who thought they might be recipients of these popular tax cuts would lose them because of the onerous AMT. Many of my Colleagues, however, would also agree with me that we should not borrow to pay for these tax cuts, when other, more fiscally responsible options are available.

The Senate has repeatedly passed provisions to shut down abusive tax shelters. We wrote many of these provisions after Enron's collapse. Yet in the more than 3 years since Enron filed for bankruptcy, Congress has not enacted a single one of these provisions. In the conference

committee, I offered an amendment to make these corporate abusers pay for middle-income tax relief. Unfortunately, the conference committee majority did not accept it. That these responsible provisions still have not been enacted, despite passing the Senate numerous times, stands out as a failure of this Congress.

Further, the conference report picks up one significant simplification item passed by the Senate: It would create a uniform definition of a child in the tax code. Right now, the tax code has five separate definitions. The conference report includes my bill to create a single definition. This will reduce complexity and errors in the income tax.

I was also pleased that we were able to add extenders to this conference report, including the popular and successful Research and Development tax credit. During the conference negotiations, I offered an amendment to enhance the R and D credit so that more companies could utilize it. But, unfortunately, the conference majority turned it down. I hope that we can enact these modest changes in the near future.

Finally, the conference report contains a long overdue set of tax technical corrections. Enacting these provisions is simply good government. And so, Mr. President, I support this bill. It will make life better for millions of hard-working American families. But it continues to ignore our continuing and dire budget deficit. We may turn a blind eye to that problem today, but the deficit will haunt us in years to come.

I urge my Colleagues to support this bill today. But I also urge my Colleagues to renew our resolve to address the budget failure that threatens our nation. That is a challenge that we can no longer simply avoid.”

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